

MAY 25 1989

Dear Applicant:

We have completed our review of the application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code which you filed.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED] to strengthen cultural, spiritual, economical and comradary ties among the off-spring of [REDACTED] and [REDACTED] and to form a corporation entitled [REDACTED]. Your articles of incorporation state that the corporation is organized exclusively for charitable, cultural, spiritual, economical and comradary including for such purposes, the making of distributions to organizations that qualify as exempt under section 501(c)(3) of the Internal Revenue Code of 1954.

Your articles of incorporation further provide that the purposes and objectives of the corporation include the following: 1) To conduct an annual intellectual gathering of [REDACTED]; 2) To initiate channels of communication between [REDACTED] groups throughout the United States and beyond, including annual publications giving financial status of the organization and emphasizing ties and accomplishments; 3) To provide training grants for deserving off-spring of the [REDACTED]; 4) To stimulate family type cooperative businesses throughout the United States; 5) To establish a revolving fund for the purpose of sponsoring innovative economic ventures of off-spring of [REDACTED] and 6) To reserve existing business operations within family groups by encouraging incorporation of same and offering financial support, from the revolving fund, to add new life when appropriate.

The corporation is to have one class of members selected from the off-spring of direct descendants and in-laws of [REDACTED].

Your activities, as stated in your application, have been to conduct annual gatherings of interested family members and firms for the purpose of getting to know each other and learning of progress and success of immediate family members and friends. The organization has also provided grants-in-aid for [REDACTED] students who are members of or related to the [REDACTED].

Code	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Sumamo	[REDACTED]	[REDACTED]	[REDACTED]			
12-8-89	2-8-89	5/1/89				

Income to your organization comes from the descendants of [REDACTED]. You also expect to solicit financial support for the annual gathering from institutions that provide space and services for these gatherings and it is also anticipated that funds will be solicited from philanthropy organizations to finance educational grant-in-aid funds.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific, literary or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual. A shareholder refers to anyone having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that to be exempt an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Section 501(c)(3)-1(b) of the Regulations provides that an organization is organized exclusively for exempt purposes only if its creating document limits its purposes and powers to those which are within the scope of Section 501(c)(3).

Section 1.501(c)(3)-1(c)(2) of the Regulations provides in part, that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or part to the benefit of private shareholder or individuals.

Section 1.501(c)(3)-1(d)(ii) of the Regulations provides that an organization is not organized and operated exclusively for one or more of the purposes specified in section 501(c)(3) unless it serves a public rather than a private interest. Thus, to meet the requirements of section 501(c)(3), it is necessary for an organization to establish that it is not organized or operated for the benefit to private interests such as designated individuals.

Revenue Ruling 80-302, 1980-2 C.B. 182, states that an organization that limits its members to descendants of a particular family, compiles family genealogical research data for use by its members for reasons other than to conform to the religious precepts of the family's denomination, presents the data to designated libraries, published volumes of family history, and promotes social activities among family members, does not qualify for exemption under Section 501(c)(3) of the Code.

Revenue Ruling 67-367, 1967-2 C.B. 188, stated purpose is to encourage and promote the advancement of education by providing college scholarships and other assistance to designated students. Under these agreements whereby the organization pays, "scholarships" to pre-selected, specifically named individuals, the organization is serving private interests rather than public, charitable and educational interests contemplated under section 501(c)(3) of the Code. Therefore, the organization does not qualify for exemption from Federal income tax under section 501(c)(3).

Our review of the application for exemption indicates that your organization does not meet either the organizational or operational tests to be recognized as tax exempt under section 501(c)(3). Your articles of incorporation permit your organization to serve purposes not described in section 501(c)(3) and your articles of incorporation also do not contain adequate provision for the distribution of your assets in the event your organization dissolves.

Your organization does not meet the operational test to be exempt under section 501(c)(3) since your activities are not exclusively educational or charitable. Your major activity of holding an annual gathering of interested members of the family serve a social rather than an educational purpose. In addition, the providing of grants-in-aid to [REDACTED] members of your family serve the private interests of the family rather than public interests as required by section 501(c)(3).

Based on the information submitted, we have determined that you are not entitled to exemption under section 501(c)(3) and are a taxable entity. You are required to file Federal income tax returns on Form 1120.

Contributions to your organization are not deductible under section 170 of the Code.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final and a copy of this letter will be sent to the appropriate state officials in accordance with Section 6104(c) of the Internal Revenue Code.

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7418(b)(2) of the Internal Revenue Code provides in part, that, "A declaratory judgement or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

W. J. Sand

[REDACTED]
District Director

Enclosure: Publication 892
cc: State Attorney General [REDACTED]